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OPEN MEETING AGENDA ITEM

BEFORE THE ARIZONA CORPORATION COMM.

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COMMISSIONERS

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2005 OCT 11 P 3: 56

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR
AUTHORITY TO IMPLEMENT ARSENIC COST
RECOVERY MECHANISMS FOR ITS AGUA
FRIA WATER, SUN CITY WEST WATER,
HAVASU WATER, AND TUBAC WATER
DISTRICTS

DOCKET NO. W-1303A-05-0280

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS SUN CITY WEST
WATER AND WASTEWATER DISTRICTS.

DOCKET NO. WS-01303A-02-0867

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS MOHAVE WATER
DISTRICT AND ITS HAVASU WATER
DISTRICT.

DOCKET NO. W-1303A-02-0869

ARIZONA-AMERICAN WATER
COMPANY'S EXCEPTIONS

IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY,
INC., AN ARIZONA CORPORATION, FOR A
DETERMINATION OF THE CURRENT FAIR
VALUE OF ITS UTILITY PLANT AND
PROPERTY AND FOR INCREASES IN ITS
RATES AND CHARGES BASED THEREON FOR
UTILITY SERVICE BY ITS ANTHEM WATER
DISTRICT, ITS AGUA FRIA WATER DISTRICT,
AND ITS ANTHEM/AGUA FRIA WASTEWATER
DISTRICT.

DOCKET NO. WS-01303A-02-0870

**ARIZONA-AMERICAN WATER COMPANY'S
EXCEPTIONS TO THE PROPOSED ORDER**

Arizona-American Water Company ("Arizona-American" or the "Company") hereby
submits the following exceptions to the proposed Opinion and Order, dated October 3, 2005.

Because the Company does not take issue with any of the substantive findings or conclusions of
law, these exceptions should be characterized as clarifications.

Exception 1. On page 8, line 24, is unclear whether the date of April 30, 2008, applies to
the filing of the next rate case or the elimination of the ACRM. Because the date is supposed to
be the filing deadline, Arizona-American proposes to modify the second sentence of item f to
read as follows: "Under Staff's recommendation, Arizona-American would be required to file by
April 30, 2008, a permanent rate case, based on a 2007 test year, to eliminate the ACRM."

Exception 2. On Page 8, line 12, the year "2000" should be "2007" in that sentence.

Exception 3. On Page 12, line 27, the language could be read to imply that ACRM
recovery ends at the date of the required rate filing (April 30, 2008), rather than the effective date
of permanent new rates resulting from that filing (likely summer 2009). Because the surcharge
will continue until permanent rates are set, please delete the phrase "over the next three years" or
say "over the next four years."

Exception 4. Page 15, line 26, the second sentence of the ordering paragraph includes the AIF “account” and “interest earned on the AIF account,” however, under the modifications agreed to between Staff and the Company for the AIF tariff, there would be no separate “account” and there would be no interest earned on a separate account. The cost of opening, maintaining, and overseeing a separate account for these funds would be disproportionate to any *de minimis* benefits. The phrase “account, the amount of interest earned on the AIF account” should be deleted from this sentence.

RESPECTFULLY SUBMITTED on October 11, 2005.

Crang G. Markin

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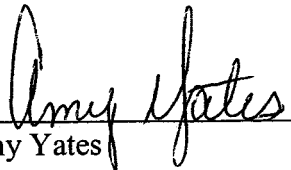
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